

DOCUMENT RESUME

ED 395 160

CE 071 583

TITLE Purchasing and Accounting. MAS-116. Waste Isolation
 Division (WID). Management and Supervisor Training
 (MAST) Program.
 INSTITUTION Westinghouse Electric Corp., Carlsbad, NM.
 SPONS AGENCY Department of Energy, Washington, D.C.
 PUB DATE [96]
 NOTE 42p.; For related modules, see CE 071 569-588.
 PUB TYPE Guides - Classroom Use - Instructional Materials (For
 Learner) (051)
 EDRS PRICE MF01/PC02 Plus Postage.
 DESCRIPTORS *Accounting; Adult Education; Behavioral Objectives;
 Case Studies; Compliance (Legal); *Ethics; Hazardous
 Materials; Learning Modules; *Management Development;
 *Purchasing; Supervisor Qualifications; Supervisory
 Methods; *Supervisory Training; Vocational Education;
 *Waste Disposal
 IDENTIFIERS *Radioactive Wastes

ABSTRACT

This learning module, which is part of a management and supervisor training program for managers and supervisors employed at the Department of Energy's Waste Isolation Division, is designed to prepare trainees to perform purchasing and accounting tasks efficiently and effectively. The first section is an introduction to the module. The next three sections explain the following phases of the procurement process: presolicitation (needs identification, quality assurance requirements, environmental/health/safety concerns, descriptions of requirements, and cost estimates); solicitation and award (preproposal meetings, evaluation of proposals, discussions, awards); and postaward (postaward meetings, receipt and inspection, evaluating/reporting subcontractor performance). Lessons learned from procurement experience are summarized in the next section. Discussed in the next section are the purposes and principles of accounting. The following are among the purchasing and accounting practices examined in a section on ethics: interactions with suppliers, conflicts of interest, coemployment, personal services, untimely marketing, gifts, entertainment, kickbacks, financial reporting, illegal payments, and antitrust laws. Each section includes some or all of the following: enabling objectives, exercise requiring trainees to evaluate a manager's effectiveness in a given scenario, and lists of good practices and practices to avoid. Concluding the module are a 20-item reference list, practice test, and test answers. (MN)

* * * * * Reproductions supplied by EDRS are the best that can be made *
* * * * * from the original document. *

Waste Isolation Division
Management and Supervisor Training (MAST) Program

PURCHASING AND ACCOUNTING

MAS-116

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC) This document has been reproduced as
received from the person or organization
originating it. Minor changes have been made to
improve reproduction quality Points of view or opinions stated in this
document do not necessarily represent
official OERI position or policy.

This module was prepared by:

Professional Development _____ Date
Trainer _____

This module is approved for use:

Manager, Human Resources _____ Date
Development and Total Quality _____

Controller _____ Date

TRAINEE INFORMATION

Trainee Name: _____

Trainee SS#: _____

Date Module Started: _____

Last Possible Date
For Completion of
Module Examination: _____ED 71/583
ERIC

BEST COPY AVAILABLE

TABLE OF CONTENTS

A. INTRODUCTION	3
B. THE PRE-SOLICITATION PHASE	4
C. THE SOLICITATION AND AWARD PHASE	15
D. THE POST-AWARD PHASE	18
E. LESSONS LEARNED FROM PROCUREMENT EXPERIENCE	21
F. ACCOUNTING	26
G. ETHICAL ISSUES	32
H. MODULE CONCLUSION	35
I. MODULE REFERENCES	36
J. PRACTICE TEST	37

A. INTRODUCTION

Terminal Objective

Upon completion of this module, the trainee will be able to perform purchasing and accounting tasks in an efficient and effective manner.

Mastery of the terminal objective will be demonstrated by scoring 80 percent or higher on the module examination.

This module is intended to provide basic information necessary to successfully accomplish your purchasing and accounting responsibilities. The first part of the module focuses on purchasing (procurement). Accounting is discussed in the latter part of the module.

This module is one of the most important in the MAST program. The success of Waste Isolation Division (WID) is dependent on sound business management, and purchasing and accounting are two of the cornerstones of business management. You can promote sound business management at WID by learning and applying the good purchasing and accounting practices presented in this module.

Prior to reading this module, it is recommended that you obtain a copy of "the requisitioner's bible," WP 15-009, Planning for and Preparation of Requisitions for Materials and Services. Reference is made to this procedure throughout the purchasing portion of this module. When specific sections of WP 15-009 are mentioned, locate and scan that section of the procedure. This will help you become more familiar with the procedure and supplement the information you derive from reading the module.

B. THE PRE-SOLICITATION PHASE

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify good pre-solicitation practices.
2. Identify pre-solicitation practices to avoid.
3. Given a scenario, evaluate the manager's effectiveness in performing pre-solicitation activities.

The procurement process is that process which creates financial and contractual obligations for the WIPP.

The first phase in the procurement process is the pre-solicitation phase. The purpose of the pre-solicitation phase is to complete activities that must take place before a solicitation is made. A "solicitation" takes place when technical and contractual requirements are transmitted by WID's Procurement Department to potential suppliers for the purpose of obtaining a proposal, quote, or bid. The term "supplier" means individuals, business entities, transportation carriers, and companies from which WID may buy goods or services. Solicitations explain WID's requirements and the competitive basis for supplier selection.

In this section, we will discuss the major pre-solicitation activities in the sequence in which they usually occur.

Needs Identification

Identifying your needs is not difficult. When the lack of something is preventing you from doing your job, the need becomes apparent. The key is to identify future needs and plan to meet them. This allows you to obtain what you need before the need becomes acute. The benefits of planning for your procurement needs include the following:

- o Need dates can be met without incurring premium costs for expediting
- o Value can be planned into the workscope and the procurement action
- o Procurement can use the best purchasing methods consistent with Department of Energy (DOE) approval procedures and federal regulations
- o Competition, a key requirement in WIPP procurements, can be maximized
- o You are more likely to get exactly what you want, delivered when you want it, at the best price

The importance of effectively planning for procurements cannot be overemphasized. Unexpected delays and problems can sometimes delay procurements. Expect unanticipated delays and allow sufficient time for procurements through advance planning.

Checking for On-Site Sources

Before assuming you will have to purchase materials or services from an off-site source, look within WID. To see if materials are available, contact Material Control and Property. To determine whether or not services are available, contact the appropriate department. For instance, if you require computer programming services, contact Information Technology Resources. Meeting needs from internal sources is usually less expensive and quicker than using the procurement process.

Contact Procurement Early

Procurements can require many steps and the involvement of persons from other departments. Thus, it is to your benefit to contact Procurement early in the pre-solicitation phase. This is important because there are many issues which must be addressed when planning a procurement, e.g., type of contract, financial audit requirements, DOE approvals, sourcing, advance notification requirements, etc. When you contact Procurement early, a buyer can begin to lay the groundwork necessary to expedite your procurement.

Consider Quality Assurance (QA) Requirements

QA approval is required for Quality Code 1, 2, and selected 3 procurement actions. When planning for such procurement actions, include sufficient time for QA review. If questions related to QA requirements arise, contacting QA and/or Procurement prior to initiation of the Purchase Requisition (PR) can help prevent delays.

Consider Environment, Safety and Health (ES&H) Implications

ES&H approval is required before certain types of items can be purchased. Goods and services that do not require ES&H approval prior to purchase are listed in WP 15-009.

It is especially important to obtain ES&H review before chemicals or potentially hazardous materials such as the following are purchased:

- o Chemicals (paint strippers, lubricants, etc.)
- o Materials that release chemicals during use (welding rods, aerosols, solder wire, etc.)
- o Materials that change shape during use (grinding wheels, urethane foams, etc.)

If you require one of the previously mentioned types of goods, contact ES&H for a copy of the Material Safety Data Sheet (MSDS). If none is available, ask Procurement to contact the supplier to obtain a MSDS. When you receive it, make notes on the MSDS to explain (1) how you intend to use the material or chemical, (2) the location of usage, and (3) the amount required (how much you want to purchase). Then take the MSDS to Industrial Safety for review. This is to be done prior to completing the PR. Why? Because if the material or chemical is not approved for purchase by Industrial Safety, you will still have time to find an acceptable substitute. Allow at least one week for Industrial Safety to review the MSDS and provide you with an answer.

It is also a good practice to contact Industrial Safety prior to purchasing electrical equipment such as fans, lamps, or coffee machines. They will assist you in selecting electrical equipment which meets applicable safety codes. Many commercially available items of electrical equipment are not acceptable for use at the WIPP.

Guidelines for requisitioners of hazardous materials are contained in WP 02-507, Management of Hazardous Materials. Questions about ES&H reviews should be directed to Industrial Safety.

Producing a Description of Your Requirements

To initiate a purchase, a written description of your requirements is required. For simple purchases of commercially available items, an Item Description written on the PR is sufficient. An Item Description should contain the following:

- The common name for the item you want
 - If no common name is applicable, give a generic description of the item.
- A part number or catalog number (if appropriate and available)
- The phrase "or equal"
 - When ordering complex items by part number or catalog number, the requisitioner should use the term "or approved equal" and require the supplier to submit a description or catalog for review and approval before ordering the item.

A well-written Item Description frees the buyer to seek what you want from a number of sources.

For nonroutine procurements, a Statement of Work (SOW) is required. SOWs are normally required for procuring services and for fabrication, design, or construction projects. A SOW is a complete description of what you require from the supplier. SOWs are submitted as an attachment to the PR with an appropriate reference within the body of the PR.

The SOW will be the basis for accepting or rejecting the end product or services you are seeking. It is important to carefully prepare SOWs because the quality of the SOW determines the quality of the purchase. Suppliers cannot give you what you want unless they can understand your SOW. Well-written SOWs clearly, completely, and concisely describe what you need. When preparing SOWs, follow good writing practices outlined in MAS-106, Communications.

SOWs should contain the following six sections:

- Section One - Introduction and Background
 - In this section, give an overview of the procurement and briefly explain the results that you expect from the procurement.
- Section Two - Scope
 - Here you provide a concise overall picture of the procurement. State the objectives of the subcontract and major tasks to be performed to attain the objectives. The scope indicates the various phases, i.e., design, development, fabrication, test, delivery, etc.
- Section Three - Applicable Documents and/or Specifications
 - This section should contain a list of the technical requirements and specifications so that prospective subcontractors can understand all performance constraints. A procurement is often controlled in some way by previous documentation that details earlier efforts, indicates the current state of a problem area, or establishes background in a technical discipline. Prospective subcontractors need to be made aware

of these documents.

o Section Four - Technical Tasks and Quality Assurance

In this section, describe in detail the subcontractor's and WID's responsibilities. Define the work to be accomplished in terms of specific steps or tasks and quality assurance requirements. Include a detailed breakdown of required tasks. Information you provide here will help you later to develop a realistic cost estimate. The better your task breakdown, the easier it will be to do a good cost estimate.

In some cases, it is advisable to inspect subcontractor work prior to completion. This is called an "in-process inspection." Any required in-process inspections and hold points should be listed in Section Four. A "hold point" is an established point where a supplier must stop performance until a WID representative performs a review, inspection, witness, or approved actions before the supplier can proceed.

o Section Five - Reports, Data, and Deliverables

This section establishes exactly what the supplier is to deliver, such as reports, manuals, technical data, materials or equipment. Any required in-process submittals also should be listed here. A "submittal" is any document, sample, drawing, progress report, or other item that the supplier must submit to WID. A job hazard analysis required in a construction subcontract is an example of a submittal. Weld test procedures and material test reports are examples of submittals which might be required in a fabrication subcontract. Be sure to specify schedule or submittal requirements for these documents tied to the contract activities they support.

o Section Six - Other Special Considerations

Here you need to detail any special relationships between the subcontractor and WID. Examples of other special considerations which should be cited include the following:

- o The use of any DOE/WIPP property to be loaned or furnished by WID
- o Any applicable ES&H requirements
- o Any on-site work interfaces with other in-process projects

The following are characteristics of good SOWs:

- o They do not unnecessarily restrict subcontractors from using their unique skills, experience, resources, and knowledge to provide the best product at the best price
- o They include clear and precise task descriptions
 - o This is essential to the proper qualification of a subcontractor and the successful administration of the subcontract. Make sure you describe your requirements in sufficient detail to ensure clarity.
- o They use the word "shall" whenever a binding provision is being described
- o They do not include unnecessary technical terms
 - o SOWs that are unnecessarily technical can discourage some suppliers, reducing the number who are willing or able to bid on the requisition.

- o They spell out abbreviations and acronyms the first time they are used, followed by the abbreviation or acronym in parenthesis, i.e., "...pounds per square inch (psi)."
- o They reflect optimum value as a result of coordination with other WID departments and organizations to ensure that everyone's needs are satisfied.

When writing SOWs, avoid the following practices:

- o Using imprecise language or trade jargon
 - o Phrases like, "first-class workmanship," "in accordance with standard practice," and "to industry standards" should be avoided.
- o Using the passive tense ("Performance shall occur...")
 - o The active tense is easier to read ("The subcontractor shall perform...")
- o Putting unduly restrictive requirements in the SOW
 - o For example, a requisitioner may impose requirements for a particular supplier's technical capability or equipment characteristics. This can restrict competition, increase costs, and lead to formal protests from other suppliers.
- o Repeating requirements or specifications that are detailed in other contractual documents attached to or accompanying the PR
 - o To avoid redundancy in your SOW, use a statement such as, "...as specified in Attachment 1."
- o Including inappropriate information in the SOW
 - o Avoid the disclosure of sensitive or proprietary information, whether from WID or from other organizations, such as suppliers. If you are unsure about whether to include an item of information, contact Procurement and/or WID's Legal Counsel.

After you have written your SOW, assess it for completeness by asking yourself the following questions:

- o If I were a supplier making a proposal based upon this SOW, would I feel confident that I could price my efforts realistically?
 - o Definition: A "proposal" is a written offer prepared by a supplier in response to a solicitation from WID. The proposal describes how the supplier proposes to satisfy WID's requirements and gives the price desired for performing the subcontract.
- o As a supplier, would I feel confident that I could perform the subcontract with minimum risk to my company?
- o Can I find loopholes, voids, or "I gotchas" in the subcontract?
- o Is a required delivery date specified for each deliverable item?
- o If elapsed time is used, does it specify calendar or work days?

It is a good practice to have a peer review your SOW before it is submitted to Procurement. Your peer may find ambiguities or other difficulties you may have overlooked. A good example of a SOW can be seen in Appendix B.

Preparing a Cost Estimate

Requisitioners must prepare cost estimates for all PRs except when seeking quotations only. A cost estimate is an assessment of the probable cost of a product or service under fair and reasonable conditions. It is your estimate of how much money it should cost a supplier to provide what you need. Cost estimates enable the buyer to evaluate proposals and negotiate business deals. When you provide carefully prepared cost estimates, you help the buyer negotiate effectively with suppliers. A buyer who has been provided with a good cost estimate is better able to negotiate with suppliers because he/she has a better idea of reasonable costs. A good cost estimate assists the buyer in evaluating the reasonableness of supplier proposals. This is especially true when the solicitation process yields only one offer and a single source is required.

When preparing cost estimates, do not contact suppliers to obtain cost information. This leads to cost estimates that are built around suppliers' prices. Later, if a supplier you contacted is awarded a subcontract, it can lead to formal protests from other suppliers. This does not, however, mean you should never contact suppliers. Contacting suppliers to find out if they offer something you need or to obtain published price lists or catalogs is acceptable. Building cost estimates and PRs around information from a particular supplier is not acceptable.

The level of detail required in cost estimates is directly related to the dollar value and complexity of requested items or services; the higher the value or level of complexity, the more detailed the estimate. PRs over \$25,000 must include an independent in-house detailed fair cost ("should cost") estimate. This is required unless the item is specifically exempted such as with standard off-the-shelf items with published catalog or established market prices. Independent in-house detailed fair cost estimates require the requisitioner to provide an elemental breakdown of the estimate and backup data necessary to support the estimate.

The three methods used at WID to develop cost estimates include the following:

1. The comparative method is used when estimating the costs of materials or services similar to or the same as those previously purchased
2. The price list method is used when standard off-the-shelf components are being procured
3. The detailed method is for all other types of procurements
 - o When estimating costs using the detailed method, the overall cost is broken down to reflect as many cost components as possible. Cost categories, such as labor, materials, etc., are identified and assigned estimated cost ranges. This yields a more accurate cost estimate than attempting to guess an overall cost.

For more information on how to prepare a cost estimate, see WP 15-009. Additional guidance can be obtained by contacting Procurement.

Identifying Possible Sources

Developing possible sources is the next step in the procurement cycle. WID is contractually required to make the most effective use of competition. Thus, one of Procurement's most important goals is to encourage competition among suppliers. Effective price competition requires the identification of multiple sources. Whenever possible, assist the buyer in developing a list of sources for what you require. You often are in the best position to identify sources because you understand what you need better than anyone else. If you know of any possible sources, list them in the designated

block of the PR form. The buyer assigned to your requisition may supplement your list by adding additional sources.

If you are aware of any problems or conflicts related to a prospective supplier, advise Procurement so they may take appropriate action. Potential suppliers are not to be arbitrarily excluded from bidding because of isolated problems or personal preference. Decisions to exclude suppliers must be supported by substantial formally documented evidence, such as that generated by the WID Vendor Rating and Recognition Program. Problems or weaknesses of a less serious nature should be identified to Procurement so that they may be addressed with the supplier via appropriate channels.

In rare instances, there is only one source for a given procurement. If you recognize that a sole-source procurement may be necessary to obtain what you require, contact Procurement for guidance before proceeding further. This is important because the sole sourcing process involves many time-consuming steps. Consulting with Procurement as far in advance as possible on sole source actions will help you meet your schedule dates.

In most cases, the buyer will consult with you to determine if your SOW can be revised to allow solicitation of competitive offers. Lack of adequate time to induce competition is not sufficient to justify a sole source. In fact, competitive actions often can be placed more quickly than sole-source actions.

For sole-sourcing actions under \$2,500, no sole source justification is required. On all sole-source procurement actions over \$2,500, but less than \$10,000, a brief sole-source justification should be written on the PR or provided as an attachment to the PR. For sole-source actions over \$10,000, the requestor must provide separate justification documentation in accordance with the requirements of WP 15-009.

Make sure your justification thoroughly describes the circumstances and convincingly establishes that competition is either not feasible or not practical. Possible justifications for sole-sourcing decisions are discussed in WP 15-009.

Good Practices for Safeguarding Information

Documents generated in the procurement process require safeguarding when they contain sensitive information such as the following:

- o Supplier pricing data
- o Supplier wage rates
- o Cost estimates
- o Supplier technical proposals
- o Proprietary technical evaluations or drawings provided by suppliers

In addition, you should not release any advance information to suppliers concerning future procurements. Such information may give a supplier a competitive advantage over other suppliers and lead to the disqualification of the supplier. It may also lead to formal protests from suppliers after the award is made.

Practices for safeguarding information are discussed in greater detail in MAS-127, Plant Security.

Identifying Award Bases and Evaluation Criteria

Award bases

Three methods are used for awarding subcontracts at the WIPP; these are described below:

1. Evaluation to minimum requirements - award to lowest price
 - o This approach is the one most often used by WID for commercial, "off-the-shelf" items. Under this approach, the contract is awarded to the lowest-priced proposal which meets your requirements.
2. Evaluation to determine the most qualified source
 - o This approach is used when WID's technical requirements justify the selection of the supplier offering the best technical proposal. The best technical proposal is determined by comparing supplier proposals to the technical criteria specified in the Request For Proposals (RFP). Numerical weights should be assigned to the criteria, but the weights are not revealed in the solicitation. Only the relative importance of the criteria are revealed to suppliers. Price reasonableness must be established and documented.
3. Use of Weighted Evaluation Criteria for Best Value
 - o The objective of this approach is to obtain the best value. Under this approach, solicitations state the relative importance of criteria that will be used in evaluating proposals. Numerical weights should be assigned to the criteria, but the weights are not revealed in the solicitation.

Evaluation criteria

Requisitions for anything other than standard commercial, "off-the-shelf" items must include evaluation criteria against which supplier proposals are to be judged. If what you are procuring must be fabricated, manufactured, modified, or created, evaluation criteria will normally be required. The development of the criteria is a joint responsibility of Procurement and the requisitioner, and where appropriate, other involved organizations. Reasonableness of price must always be considered in selecting a source.

Sometimes the development of in-house evaluation point values is useful. This technique was mentioned previously when the use of weighted evaluation criteria as the basis of award was discussed. Point values are developed by the buyer and the requisitioner and apportioned among the evaluation criteria. This approach is often used for highly technical procurements or procurements where successfully meeting delivery date requirements is very important. Point values are not identified in the RFP.

Requisitioners sometimes propose setting a minimally acceptable point total or predetermined cutoff required for a proposal to be considered for award. This technique is not used by WID for two reasons. First, the best proposal received (the one with the greatest point total) may be under your predetermined cutoff. Second, the DOE discourages this practice.

Using your SOW will help you in generating specific evaluation criteria. Break down each task and create criteria that will accurately measure a vendor's understanding and capability to perform the tasks.

Criteria generally should be designed so an evaluator may assess suppliers' qualifications, technical/management approach, potential for completing the job, commitment, assumption of risk, and understanding of the work to be

performed. The specific criteria used may include the following:

- o Appropriateness of the firm's organizational structure
- o Adequacy of the firm's proposed approach to managing the subcontract and performing the work
- o The ability of the firm's management personnel
- o Capabilities and experience of the firm's technical personnel
- o Adequacy of the firm's facilities
- o Adequacy of the firm's accounting, budgeting, and cost control practices
- o Adequacy of the firm's scheduling and planning processes
- o The firm's performance record on other projects
- o The firm's proposed training plan

Evaluation criteria used and weights assigned to those criteria should be determined on a case-by-case basis using a graded approach to fit the requirements and complexity of each requisition. The relative importance of the criteria depends on the nature of the products or services to be procured. Mandatory "go/no go" criteria can be used if critical to successful performance of the subcontract. Put some thought into your evaluation criteria; any criteria can tip the balance when competition among potential suppliers is very close.

Including insignificant evaluation criteria in the list should be avoided. Why? Because proposals should be evaluated on significant factors that are important to the procurement. Inclusion of insignificant criteria waters down the emphasis placed on significant factors. It also reduces the spread in point totals so that differences between the various proposals are insignificant or difficult to measure.

Quality Assurance requirements are generally of a "go/no go" nature and ordinarily are not used as evaluation criteria. A supplier's proposal must meet quality assurance requirements specified in WP 13-009, Procurement Control Procedure, to be considered for award.

CRITICAL INCIDENT INEFFECTIVE BEHAVIOR

Occurrence: A WID manager was content with the service being provided under a multiyear subcontract. At the end of the final year of the subcontract, an RFP was issued to obtain competitive proposals for a new subcontract. The manager designed evaluation criteria such that only the company which had the previous subcontract could qualify for the new subcontract. The product provided under the subcontract was one which any number of companies could successfully provide. The new subcontract was awarded to the supplier who previously had the subcontract, even though its price was substantially higher than its competitors.

Impact: Subsequent discovery by the DOE led to audit findings and embarrassment to WID.

Lessons learned: Do not thwart competition by tailoring your evaluation criteria to match a particular supplier.

Preparing the PR

Detailed instructions for completing PR forms are contained in WP 15-009. Refer to and follow this procedure when filling out PR forms. Here, we will provide some reminders to assist you in completing PRs correctly.

When preparing PRs, do the following:

- Use the appropriate form (WP 1120 or 1840)
 - WP Form 1120 is used for all requisitions except for those organizations trained to use the Maintenance Management Procurement System (MMPS). For those using the MMPS, the computer will print out a requisition format called WP Form 1840.
- Make sure that entries on the PR are neatly handwritten or typed
 - A good example of a PR can be seen in Appendix D.
- When applicable, specify that the supplier should supply a MSDS
 - If a MSDS is required but not provided, your material cannot leave the Warehouse until a MSDS is obtained.
 - Questions about whether a MSDS is required can be answered by contacting Industrial Safety.
- Minimize the use of trade, copyrighted, and proprietary names applying exclusively to the product of one company
 - For example, it is best to avoid a statement such as, "This application requires a Sears Craftsman Model XYZ." It is better to state "This application requires a heavy-duty industrial drill, capacity one horsepower." This allows wider competition so that bidding will not be limited to one particular name (Sears) used in the SOW.
 - In some instances, using the words "or approved equal" can save you time in describing what you need. Some items are available from many suppliers. In these instances, you need not spend time describing what you need in intricate detail. Use the words "or approved equal" to quickly describe what you need, i.e., "Westinghouse Part Number 2430 or approved equal." Later, when supplier proposals are received, the buyer will contact you to verify that proposed products are acceptable. If you judge a proposed product not to be acceptable, you must provide reasons to support your judgment.
- If requested items usually cannot be supplied by a single source, submit a separate PR for each item
 - For example, don't list a pipe fitting on the same PR as computer paper since they generally are not available from the same supplier.
- Use a Purchase Requisition Continuation Page (WP Form 1120a) for lengthy requirements
- Document changes to PRs by marking one line through the old information and entering the new in black ink
 - The changes then must be initialed and dated by the requestor and signed by the manager. If an approval from QA, Project Control, or ES&H was previously obtained and the change affects their area of responsibility, their initials must also be obtained.

- o If you refer to any technical documents in the PR, attach five copies of these documents to the PR form
- o For quality codes 1, 2, and selected 3s, complete a Requisition Package Checklist, WP Form 1981
 - o This form must be signed by QA Engineering and attached to the PR.
 - o Requisitions for quality codes 1, 2, and selected 3s will become quality assurance records. Familiarize yourself with the governing requirements contained in WP 13-6, Quality Assurance Records Management Policy.
- o Review special requirements outlined in WP 15-009 when requisitioning computer hardware, consulting services, construction services, and office supplies
 - o For example, PRs for software costing more than \$200 must be accompanied by a WP Form 1553, Computer Resource Acquisition Request.

Review and Authorization

It is the requisitioner's responsibility to expedite the progress of the requisition through the review and approval process. Stay involved in the approval process if you have an important need date. You can influence how quickly your PR proceeds through the approval process.

It is also important to obtain all required approvals as specified in WP 15-009. If you don't, your PR will be returned to you, delaying the procurement. The requirements governing PR reviews by QA, ES&H, and Project Control are found in WP 15-009.

CRITICAL INCIDENT INEFFECTIVE BEHAVIOR

Occurrence: A WID department required an expensive piece of equipment. The department did not clearly define what they needed in the SOW which accompanied the PR for the equipment. Solicitations were sought and two proposals were received. Both proposals were found lacking by technical evaluators in the requisitioning department. The department clarified what was required and this clarification was provided to the two firms who had submitted proposals. After new proposals were received by the buyer, one of the firms was given the award. The subcontract required the supplier to provide submittals for evaluation by the department. When the submittals were received, they were found to be inadequate. The buyer scheduled an in-process inspection with the supplier. During the inspection, personnel in the requisitioning department found that the equipment under preparation by the supplier would not meet WID requirements.

Impact: An additional nine months and \$46,000 was required before the equipment met WID requirements.

Lessons learned: The root cause of this occurrence was found to be the department's poorly prepared SOW. Thoroughly defining your requirements in the SOW is vital. If you don't, time and money will have to be expended later to solve problems resulting from your inadequate SOW.

C. THE SOLICITATION AND AWARD PHASE

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify good solicitation and award practices.
2. Identify solicitation and award practices to avoid.
3. Given a scenario, evaluate the manager's effectiveness in performing solicitation and award tasks.

The purpose of the solicitation and award phase is to solicit and evaluate offers and award the subcontract.

Pre-Proposal Meetings

Sometimes it is advantageous for WID to hold pre-proposal meetings with suppliers. Pre-proposal meetings give prospective suppliers an opportunity to gain a better understanding of what is required. It also allows the requisitioner and buyer to emphasize important elements of the solicitation so that interested organizations may judge whether to incur the cost of proposal preparation.

Pre-proposal meetings normally include a question and answer session. Written minutes, including questions asked and answers given, should be made of discussions at pre-proposal meetings. These minutes are usually recorded by the buyer assigned to the requisition. After the meeting is concluded, the minutes are typed and mailed to all meeting attendees and to organizations receiving a solicitation.

Evaluating Proposals

Requisitioners often become involved in evaluating offers. One of your major goals as an evaluator is to maintain objectivity. Objective evaluation is important because award records are subject to audit and to Freedom of Information Act requests. Procurement personnel often must explain award decisions to third parties. Objective evaluations are defensible; subjective decisions usually are not.

During evaluations, proposals are evaluated against the RFP, not against other proposals or unspecified criteria. In other words, you should compare supplier proposals against what you said you wanted, not against each other. If you compare proposals against one another you may lose sight of your original requirements, as contained in your SOW. You may also be tempted to share information contained in one supplier's proposal with another supplier, and this is prohibited.

When evaluating proposals, you may encounter something in a proposal that you don't understand. If this occurs, contact the buyer assigned to your PR. The buyer will obtain a clarification from the supplier and provide you with an explanation. You should not contact the supplier directly without first obtaining authorization from Procurement.

Discussions

The buyer is your communication link with suppliers. This is not to say, however, that requisitioners never speak with suppliers. Some communication between suppliers and requisitioners may be appropriate. Such discussions, however, must first be arranged through the buyer.

Be sure to document your discussions with suppliers. Written records of discussions prove invaluable when disputes arise with suppliers. Telephone discussions must be documented on a Telephone Conference Memorandum (Westinghouse Form 22822 B). Then forward a copy of the completed Telephone Conference Memorandum to the buyer.

In discussions with current or prospective suppliers, you must be careful not to make any statement which could possibly be interpreted as WID authorization to perform out-of-scope work. "Out-of-scope work" is work that is beyond the supplier's current contract obligation. Remember: only Procurement is authorized to make such financial commitments and then only in compliance with prescribed procedural requirements.

Award

An "award" takes place when a supplier is granted a subcontract to supply goods or services to WID. Before an award can take place, the buyer must prepare a purchase order which documents the final agreement which was negotiated with the supplier. The buyer works with the requisitioner to ensure that technical and performance requirements are accurately incorporated into the purchase order. The purchase order is the document which makes the supplier a WID subcontractor.

A copy of the approved purchase order will be furnished to the requisitioner immediately after award. Only the buyer is authorized to direct a subcontractor to change any aspect of a subcontract and, except for some administrative changes, the buyer can only do so upon receipt of a Purchase Requisition Change Notice (PRCN), WP Form 1121, from the requisitioner.

CRITICAL INCIDENT
INEFFECTIVE BEHAVIOR

Occurrence: Through their own efforts, personnel in a WID department discovered a firm that produced an item they needed. The department manager sent one of his employees to the firm. The employee directed the firm to test the items and promised that WID would pay \$1,000 for each item that passed the tests. The tests cost WID \$10,000. All of these activities were performed without the involvement of Procurement or a PR. Later, the department manager contacted Procurement and stated that he needed an emergency purchase of the items. Procurement, attempting to assist the manager and alleviate the alleged state of emergency, tried to purchase \$40,000 worth of the items without adequate documentation to formalize the purchase. When the firm's Controller learned of the attempted purchase, the Controller refused shipment of the items until a purchase order was received from WID. The buyer then rushed to prepare a purchase order necessary to accomplish the emergency procurement. The manager then requested expedited shipment of the items, costing an additional \$7,000.

Impact: (1) The manager's lack of planning and failure to follow Procedure WP 15-009 had the following negative effects:

- o Effective involvement of Procurement and QA personnel was circumvented
- o Solicitation to other suppliers to determine a fair price for the item was prevented
- o DOE (and taxpayer) funds were wasted

Lessons learned: (1) Failure to plan can have far-reaching negative effects on your operation and other affected departments. (2) Following Procedure WP 15-009 helps Procurement assist you in properly spending WIPP funds. (3) Keeping a sense of perspective in stressful situations is important. One's first impulse may be to lose objectivity and to fall into an "emergency" mindset. Keeping a clear head and taking time to think before acting will enable you to deal with crises much more effectively. (4) Teamwork always results in better solutions to problems than independent actions of individuals.

D. THE POST-AWARD PHASE

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify good post-award practices.
2. Identify post-award practices to avoid.
3. Given a scenario, evaluate the manager's effectiveness in performing post-award tasks.

The purpose of the post-award phase is to effectively administer the awarded subcontract.

Changes to Issued PRs

Sometimes it is necessary to alter a PR. Once a PR has been issued (received by Procurement), changes must be made via a PRCN.

When completing a PRCN, ensure that the change required is clearly follow-on work to the base contract with a direct and dependent relationship to the original PR. If it is not directly related, it will require a separate PR.

The key to an effective PRCN is its timely submittal to the buyer so that the buyer can communicate the changes to the supplier. Delays in submitting PRCNs to Procurement can result in wasted time and effort. For instance, work performed based on your original PR may have to be scrapped, resulting in increased cost and delayed delivery.

Post Award Meetings

Periodic meetings may be required to effectively monitor subcontractor progress. If a formal meeting with a supplier is necessary, contact Procurement to make the necessary arrangements.

Formal meetings can also arise at the prompting of suppliers. For instance, a supplier may encounter unforeseen problems while fabricating according to a WID design. In that case, the supplier would need to meet with WID personnel to obtain clarification or direction. If you are contacted by a supplier seeking clarification or direction, refer the supplier to Procurement or, as a minimum, get Procurement involved.

In-Process Inspection

Requisitioners should inspect work being performed before it is completed. This can entail visits to the supplier's plant or office. In-process inspections should be prearranged with suppliers through the buyer.

After the in-process inspection is completed, a written report of the visit should be prepared. The report should include the following information:

- o Who performed the inspection

- o The purpose of the inspection
- o When the inspection occurred
- o The results of the inspection
- o Observations made during the visit
- o A summary of discussions held with supplier personnel

Receiving and Inspection

A final inspection must be performed before WID takes legal possession of goods or declares services complete. The goal is to verify whether the goods or services specified in the purchase order were delivered. The inspection should normally be performed by the requisitioner. It is a good practice to refer to the purchase order to determine whether all ordered goods were delivered, or, in the case of services, that required tasks were performed and deliverables such as reports were provided.

Upon arrival at the WIPP, goods will normally be received and inspected by personnel in the Warehouse and delivered to you. Upon delivery, goods should be accompanied by a receiver. If the goods are satisfactory, review and sign the receiver. If the goods are not satisfactory, do not sign. Contact the buyer as soon as you can.

If goods are delivered directly to you by a subcontractor, notify Warehouse personnel so that required paperwork can be processed before you use the goods. If the goods are satisfactory, review and sign the packing slip. Retain a copy of the packing slip for the Warehouse personnel. If the goods are not satisfactory, do not sign the packing slip and, if possible, do not accept the delivery. Contact the buyer as soon as you can.

In the case of services, the buyer or Accounts Payable and Disbursements will forward an application for payment to the requisitioner. The requisitioner should scan the application and notify the buyer (or Accounts Payable and Disbursements) if inaccurate information is detected. If information contained on the application is accurate, the requisitioner should sign the application and return it to the buyer (or Accounts Payable and Disbursements). Don't allow applications for payment to linger on your desk. This leads to irate subcontractors because they cannot be paid until applications for payment are processed.

Reporting Subcontractor Performance

Upon completion of a service or construction subcontract worth \$2,500 or more, you should receive a Vendor Rating Form from the buyer. If you do not receive one, contact Procurement Systems and Support. The purpose for completing Vendor Rating Forms is to assess subcontractors' strengths and weaknesses in performance of subcontracts. Your ratings of subcontractors are used to create a historical subcontractor performance database. Procurement uses this database so that award decisions can be based on statistical performance data coupled with proposal evaluation criteria. Your ratings help identify problem areas and other concerns to be resolved by the buyer and subcontractor. Your ratings also serve as a basis for determining WID's best subcontractors for the Supplier Recognition Program. Upon completion, Vendor Rating Forms should be forwarded to the buyer assigned to the subcontract in a sealed envelope marked "WESTINGHOUSE PROPRIETARY."

CRITICAL INCIDENT
INEFFECTIVE BEHAVIOR

Occurrence: A WID subcontractor received verbal direction to perform additional services not specified in a subcontract. Procurement was unaware of the direction. The direction resulted in the performance of work which violated a provision of the subcontract. This particular provision of the subcontract was based on a Federal statute that requires Government contractors and subcontractors to use specific sources of supply for the services performed by the subcontractor in response to the verbal direction. Consequently, because of statutory requirements associated with this provision, the cost of the services was considered unallowable under the terms of the subcontract.

Impact: Subcontractor personnel had performed \$7,000 worth of services which were not reimbursable under the terms of the subcontract.

Lessons learned: Giving verbal directions to subcontractor personnel presents significant risks to all parties: the subcontractor, WID, and the DOE. Follow Procedure WP 15-009 and coordinate changes through Procurement via PRCNs.

E. LESSONS LEARNED FROM PROCUREMENT EXPERIENCE

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify good procurement practices.
2. Identify procurement practices to avoid.
3. Given a scenario, evaluate the manager's effectiveness in performing procurement activities.

In this section, we will focus on lessons learned from procurement experience at WID. This section is a vitally important part of the module because it will enable you to avoid mistakes others have made in the procurement process.

Good Procurement Practices

- Remember that WID's General Manager has delegated procurement authority solely to the Procurement and Administration Section
 - Procurement is the only WID organization authorized to commit funds for procurement purposes.
- Consider trading in or exchanging existing equipment to satisfy a need for new equipment
 - The trade-in value of the old equipment may reduce the cost of the new equipment.
- Promote effective teamwork between requisitioners and Procurement personnel by doing the following:
 - Effectively planning for procurements
 - Submitting clear and concise PRs
 - Submitting accurate, complete procurement documents
 - Specifying reasonable delivery dates
 - Being a partner in the negotiation process
- Let Procurement personnel conduct most communications with suppliers
 - When non-Procurement personnel communicate with suppliers, problems can result. Calling suppliers may seem harmless, but your statements may be construed as contractually binding by suppliers. Therefore, nonroutine communications with suppliers must be handled by the buyer or authorized and prearranged by Procurement. Failure to do so can create unauthorized obligations which could ultimately be disallowed by the DOE and deducted from WID's award fee.
- Allow extra time in your schedule for unexpected delays

- Preparing documents, obtaining necessary approvals, and other required procurement activities require a lot of time. Allow leeway in your schedules for unexpected delays.
- Use emergency and critical path procurements only when applicable
Emergency and critical path procurements should be minimized because they often result in the following:
 - Limited vendor participation (less responses/less competition)
 - Receipt of defective goods
 - Higher than necessary costs
- Monitor subcontractor progress to ensure work is performed within the time and cost parameters stated in the subcontract
- Keep Procurement fully informed and up-to-date if problems with subcontractor performance arise
 - Assist in subcontract enforcement by notifying Procurement whenever suppliers fail to adhere to subcontract terms and conditions.
- Follow good procurement planning practices such as the following:
 - Refer to lead time charts provided in WP 15-009. Using these charts will help you specify reasonable delivery dates.
 - Get Procurement personnel involved up front. This helps plan for competition to avoid sole-source procurements.
- Prepare thorough cost estimates that include all cost components
 - Don't forget to include cost items such as special tools, test reports, required materials, etc.
- Coordinate the preparation of the PR and SOW with other WID organizations for added value and to ensure that all needs are met
 - Operations, Maintenance, ES&H, and other organizations may have related responsibilities and be able to offer valuable input.

Procurement Practices to Avoid

- Giving unrealistic delivery dates
 - Delivery dates specified in your requisitions must be realistic, allowing adequate time for suppliers to respond to your requisition. Tight delivery dates can restrict competition by limiting the number of sources that are able to respond to your requisition. They can also result in higher costs. Furthermore, giving unreasonable delivery dates runs counter to the sound business management practices used at WID.
- Agreeing to or obligating WID through any action which is beyond the limits of your authority
 - If you're not sure an action is within the limits of your authority, check with Procurement management.
- Approving work that is not in conformance with subcontract requirements

- This may result in one of the following negative outcomes:
 - Rejection of the work by QA
 - The subcontractor may not be reimbursed for the cost of the work
 - You may get stuck with a defective product due to your actions
- Leaking information from subcontractors' solicitations
 - This information is sensitive and should only be given to WID personnel with a legitimate need to know.
- Accepting special favors or gratuities from subcontractors or potential suppliers
 - This is a violation of WEC policy as well as federal statutes and regulations.
- Neglecting to document significant conversations with subcontractors as they occur
 - Written documentation creates a proper audit trail.
 - Written documentation is the key to successfully defending WID in cases of supplier protests.
- Creating an employer-employee relationship with subcontractor personnel through any supervisory or administrative practices
 - This can cause additional costs and unfair labor practice claims.
 - This also exposes WID to unnecessary liabilities, i.e., workmans' compensation claims.
- Permitting subcontractors to proceed with work outside the scope of the subcontract
 - This violates WID Procedure WP 15-009 and can result in work being performed improperly. Furthermore, subcontractors will not be paid for work not specified in their subcontracts.
 - This can be construed as an unauthorized commitment for which WID can be held solely liable.
- Accepting unsolicited bids
 - If you receive what appears to be an unsolicited bid, do not open it. Notify Procurement and send the unsolicited bid to the Manager of Procurement and Administration.
- Subverting the PRCN process
 - A PRCN must be issued prior to any modification to a subcontract.
- Using WID's buying power to make purchases that personally benefit you or other employees
 - This would be unfair to WID suppliers. Furthermore, it would reduce the efficiency of WID's procurement system. This prohibition does not apply, however, to unilateral decisions by suppliers to extend discounts to WID employees.

- o Mixing families of commodities on the same PR
 - o The buyer will be forced to split off the commodities onto separate PRs, delaying your purchase and increasing the chance of error.
- o Deviating from your specified evaluation criteria when evaluating proposals
 - o Suppliers put much time and effort into their proposals, which are based on evaluation criteria you have specified. Deviating from your criteria during evaluations is prohibited because it is unfair, unethical, and may result in supplier protests.
- o Knowingly submitting a workscope or subcontract action that will predictably not satisfy the ultimate technical objectives of the procurement
 - o Unwarranted subcontract changes and growth are not in the best interests of WID because this is a costly way to do business. The DOE views this as poor subcontract management.
- o Tailoring specifications or SOWs to a single supplier
 - o This distorts the proposal process and can result in higher costs, supplier protests, and project delays.

CRITICAL INCIDENT
INEFFECTIVE BEHAVIOR

Occurrence: A firm's Contract Manager contacted WID Procurement inquiring why one of the supplier's employees had been working at the WIPP without a subcontract for three-and-a-half weeks. The firm became aware that the employee was working at the WIPP when an expense report was received from the employee. Procurement was unaware that the employee was working at the WIPP. Upon investigating the matter, Procurement determined that two WID managers had verbally arranged the work with the employee.

Impact: WID was placed in a compromising position for the following reasons:

1. Noncompliance with WID Procedure WP 15-009, which requires a PR to be completed, approved, and processed through Procurement prior to the commencement of subcontractor services.
2. Unauthorized individuals (the two managers) had committed DOE funds without the approval of Project Control. Funding may not have been available for the services.
3. WEC and WID policies were violated because the commitment wasn't made by an authorized Procurement representative.
4. Documentation required by WP 15-009 limits WID's liability in the event of an accident. Had the subcontractor employee suffered any mishaps at the WIPP without the required documentation, WID would have been fully liable.
5. WID's QA requirements were neglected due to the absence of any governing documentation.
6. Documentation required by WP 15-009 protects WID against the release of confidential or sensitive data encountered by subcontractors. Without the legal protection of a subcontract, sensitive data or information could be released by the subcontractor employee.
7. The subcontractor employee improperly entered a DOE facility to perform services not governed by the terms and conditions imposed on subcontractors as directed in the Westinghouse Electric Corporation (WEC) Management and Operating (M&O) Contract with the DOE.
8. The total cost of the employee's services was approximately \$8,000. The cost could not be covered via a PR and, consequently, had to be treated as a potentially unallowable cost under WID's M&O Contract with the DOE. Consequently, the firm was unable to recover the costs for the subcontractor employee's efforts.
9. Time and effort was needlessly expended investigating and correcting the occurrence.
10. The incident negatively impacted the good working relationship which had existed between the firm and WID.

Lessons learned: Follow Procedure WP 15-009 for procurements to avoid placing WID in compromising positions.

F. ACCOUNTING

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify good accounting practices.
2. Identify accounting practices to avoid.
3. Given a scenario, evaluate the manager's effectiveness in performing accounting tasks.

WID accounting requirements are described in detail in the various procedures mentioned in this section. Here, we provide good practices and practices to avoid when performing the following types of accounting transactions: travel; delegation of authority; petty cash; business meetings; accounts payable; and payroll.

Travel

Good travel practices

- o Request American Express Card applications for your employees who are frequent business travellers (at least two trips per year)
 - o Send a letter to Payroll stating that the employee is a frequent business traveller. Applications are subject to the Controller's approval.
- o Obtain necessary approvals for travel before making reservations
 - o Travel plans for nonexempt employees require the approval of the immediate manager, senior manager, and General Manager.
 - o Travel plans for exempt employees, supervisors, and managers require the approval of the immediate manager and senior manager.
 - o Travel plans for senior managers require the General Manager's approval.
- o Remember that, when you sign employee expense reports, you accept responsibility for charges listed on the reports
 - o Before approving employee expense reports, do the following:
 - o Review all costs for reasonableness and allowability. Guidance on reasonableness and allowability is provided in Attachment Two, "Allowable Business Travel Expenses" of WP 15-005, Employee Travel Expense Reporting Procedure.
 - o Review charge numbers and overhead budget numbers for completeness. This will expedite payment and ensure that costs are distributed correctly.
 - o Ensure that the expense report is signed by both the employee and the manager.

- Make sure that your employees are aware of the importance of staying within maximum prescribed per diem rates
 - If per diem rates are exceeded, excess costs are borne by the traveller - not by Accounting, the travel agent, or the person who made the arrangements.
- Obtain approval prior to the trip if exceeding lodging per diem is necessary
 - To request approval, a Request to Exceed Lodging Per Diem form must be completed, signed by the traveller's manager, and forwarded to General Accounting. If the request meets necessary conditions specified in WP 15-005, it will be approved by the Controller Department. Personal preference is not reason enough to justify exceeding lodging per diem.
- Rent from WID's primary rental car agency
 - Avis currently is WID's primary rental car agency. If renting from the primary agency is not possible, rent from the secondary agency (National). The reason for renting from the primary agency is to take advantage of the favorable rental rates that WEC has negotiated with the agency.
- Follow good telephone expense practices
 - Limit safe arrival calls to about \$5.00.
 - Itemize work-related phone calls of \$5.00 or more on your expense form. Include the name of the person called. Receipts are required for all telephone calls included on your expense report.
- Properly complete expense report forms
 - When course or seminar fees are paid in advance by WID, include this cost as both an advance and a disbursement. WEC courses in Pittsburgh, however, are billed through a clearinghouse and do not require prepayment through a Request for Remittance (RFR).
- Ensure that expense reports are turned in on a timely basis
 - Any advances not cleared within 120 days must be reported as income to the traveller and included as gross income on his/her W-2 form. It is a good practice to turn in expense reports within 10 workdays after the last day of the trip.
- Ensure that employees are properly reimbursed for using their automobile for WID business
 - The mileage reimbursement cannot exceed the equivalent commercial coach class airfare or car rental costs
- Plan for foreign travel well in advance of your departure date
 - Contact the General Accounting Section for a Request for Approval of Foreign Travel (DOE F 1512.1) and instructions for obtaining necessary approvals.
 - The Request for Approval of Foreign Travel should be completed and submitted to General Accounting at least 60 days prior to departure. This will allow sufficient time for the approval process.

- Once all other DOE approvals have been obtained, General Accounting must request approval from the DOE Contracting Officer at least 45 days prior to the trip.
- Return all unused tickets to the WOIC or site Cashier as soon as changes or cancellations are made
 - This makes it possible to issue a timely credit to WID or the traveller's credit card.
- Complete Form WP 1159, Approval of Business Travel When Accompanied by Spouse, whenever your spouse will be accompanying you on work-related travel
 - Completing this form does not authorize the reimbursement of your spouse's travel expenses or transfer liability for your spouse to WID.

Travel practices to avoid

- Approving employee expense reports before all required information is recorded
- Making your own travel arrangements
 - Authorized secretaries have been trained to expediently make travel arrangements. They possess information necessary to stay within per diem for lodging and car rental rates.
- Purchasing first class tickets
 - Circumstances when purchasing first class tickets is authorized are discussed in WP 15-005.
- Forgetting to refuel rental cars before returning to the rental agency
 - Rental agencies charge a premium when rental cars are not returned with a full gas tank.
- Obtaining a larger than compact rental car
 - Larger cars should only be rented when three or more employees will be using the car.
- Purchasing additional insurance when renting a car
 - Costs of additional insurance are disallowed because insurance is already incorporated in the rental rate charged to WID.
- Forgetting to obtain itemized receipts to properly document your expenses

CRITICAL INCIDENT
INEFFECTIVE BEHAVIOR

Occurrence: A manager called the Controller Department to inquire about sending some of his employees on foreign business travel. The manager was briefed on required actions necessary to obtain approval. The manager, in pursuing necessary approvals, consulted with a DOE employee in the WPSO. The DOE employee incorrectly told the manager that DOE approval was not necessary because the foreign country was classified as non-sensitive. The manager sent his employees on the trip without obtaining the necessary approvals. After the trip, the Controller Department received expense reports for the employees' foreign travel. Since prior approval had not been obtained, personnel at the DOE's Albuquerque Field Office disallowed the expenses. Since then, the Controller Department has attempted to obtain after-the-fact approval, but without success.

Impact: (1) Much time and effort has been expended in after-the-fact efforts to obtain approval and funds from the DOE for the trip. (2) The employees who went on the trip had to pay for the travel expenses out of their own pockets prior to receiving reimbursement from WID. (3) Costs associated with the trip may have to be absorbed by WID.

Lessons learned: (1) Obtaining necessary approvals prior to travel is important. (2) If you receive conflicting information, don't stop there. Dig deeper until you get the right answer.

Delegation of Authority

Senior managers should issue delegation of authority letters when they will be away from the workplace for one day or more. Other managers and supervisors may delegate their authority verbally.

If you delegate authority to a non-management employee in your absence, this employee cannot approve accounting documents that normally require your signature. For instance, an employee acting in your absence is not authorized to sign timesheets, RFRs, advances, local travel forms, or disbursement receipt forms. These types of documents must be approved by your manager when you are absent.

Petty Cash

WP 15-012, Administration of Cash Fund (Petty Cash) provides guidelines for administration of petty cash transactions, including the following:

- Small miscellaneous purchases
 - Managers may approve small miscellaneous purchases under \$25. Make sure such purchases are allowable and reasonable as defined in the Westinghouse Prime Contract ND.DE-AC04-86AL31950, Clause 48, Allowable Costs, Base Fee, and Award Fee (April 1984) (Modified). Form 16, Disbursement Receipt, should be used for these types of purchases. The original receipts from small miscellaneous purchases should be attached to Form 16.
- Local travel
 - Use Form 54922, Local Travel Expense, to reimburse employees for local travel as well as for overtime meal reimbursements up to \$10.00 (receipts must be attached).
- Advances
 - WP 15-005 provides guidelines on cash advances for travel.

- Use Form 33, Advances for Travel to pick up cash advances for travel.
- Because advances are charged to an employee's travel account and must be cleared by an expense report, managers may approve travel advances of up to \$500 for themselves and their employees.
- A Collection Receipt, Form 702-K, should be used for returning cash to WID, i.e., excess travel advances.

When completing the above transactions, ensure that petty cash transaction documents have valid charge numbers. If you are not sure which charge number to use, contact your Project Control analyst.

Business Meetings

Accounting requirements associated with business meetings are described in WP 15-032, Business Meetings. Key requirements which must be met when hosting a business meeting include the following:

- The highest level manager involved in hosting the meeting is responsible for all meeting costs and for reporting the meeting on an expense report form
- The following attachments should accompany completed expense report forms:
 - Itemized receipts for all costs
 - A complete list of attendees and their relationship, i.e., their employer
 - A sheet stating where the meeting was held and the purpose of the meeting
- When meals are provided, a collection should be made for DOE employees in attendance
 - The employee responsible for setting up the meeting should collect a check or cash for the actual meal costs from each DOE employee in attendance. Any cash collected should be turned in to the Cashier for a Collection Receipt that will be attached to the expense report. Any checks collected can be attached to the expense report. Under no circumstances should a WID employee pay for a DOE employee's meal.

Accounts Payable

The following are good accounts payable practices:

- Review your Monthly Material and Service Cost (M&S) Report
 - If you find incorrect charges, promptly notify Accounts Payable and Disbursements and initiate a charge number change request as described in WP 15-040, Initiating Change Requests.
- Forward your accruals to Accounts Payable and Disbursements by the last workday of the month for any services rendered or materials received during that month
 - This will ensure that the associated costs will be reflected in the proper month. Forwarding accruals by the end of the month is especially important at the end of the fiscal year.

- o Review temporary employees' time cards to ensure that proper charge numbers are listed
- o Review and approve service and other subcontracts and forward them to Accounts Payable and Disbursements in a timely manner to ensure that costs are reflected in the proper time period
- o Verify charge numbers on all documents before the documents are submitted to the Controller Department.

Payroll

The following are good payroll practices:

- o Submit all profiles and lump sum cards to Payroll or Human Resources on a timely basis
 - o If you don't, pay actions may not occur in the scheduled month.
- o Ensure that employees notify Payroll in writing at least three workdays prior to payday for checks to be held at the Greene Street Office (WOIC)
- o Remember that employees must be on active status at least five workdays to receive either a midmonth advance or end-of-month paycheck
 - o "Active" means the employee is not on disability or a leave of absence
- o Use Form 161M, Advance of Salary or Wages, for obtaining vacation advances for employees scheduled for vacation on payday
 - o Upon completion, Form 161M must be signed by the employee's immediate supervisor/manager and forwarded to Payroll. For midmonth advances, Form 161M must be received by Payroll at least five workdays prior to the date advances are paid. For end of month paychecks, Form 161M must be received by Payroll by the 11th calendar day. Contact Payroll for assistance with calculations required by Form 161M.
- o Encourage employees to take advantage of direct deposit options
 - o Advantages of direct deposit include the following:
 - o Funds are automatically deposited and available the morning of payday.
 - o A trip to the bank and waiting in line is eliminated.
 - o Employees on backshifts or training will no longer need to submit written requests to have the checks held by Payroll at Greene Street. The time spent picking up checks is also eliminated.
- o Ensure that timesheets are filled out correctly and received in General Accounting by noon on the first workday of each month
 - o Timesheets received later will not be reflected on the labor cost reports for the month. It may also cause employees to not receive overtime pay earned until the next pay period.

G. ETHICAL ISSUES

Enabling Objectives

Upon completion of this section, the trainee will be able to perform the following:

1. Identify unethical purchasing and accounting practices.
2. Given a scenario, evaluate the ethicality of the manager's purchasing and accounting practices.

WID purchasing and accounting transactions must be performed in an ethical manner. Because corporate ethics and morals permeate from the top down, responsibility rests heavily on senior management to set a constructive example for employees.

High standards of conduct enhance the reputation of WID. Conversely, if high standards are not observed, WID's reputation will suffer. The policy of WEC is to comply with all laws governing our operations and to conduct our affairs in keeping with the highest moral, legal, and ethical standards.

Ethical issues pertinent to purchasing and accounting at WID include the following:

o **Interactions with suppliers**

When dealing with or making decisions affecting suppliers, be careful not to inadvertently obligate yourself or WID to a supplier. Be fair and objective and act in the best interests of WID.

o **Conflict of interests**

WID's reputation can be adversely affected if your personal interests conflict - or even appear to conflict - with the interests of WID. If you have a direct or indirect interest in a WID supplier, creditor, debtor, or competitor, this can cause you to experience a conflict of interest. For instance, a conflict may occur if you are employed for personal gain by another firm, directly or as a consultant; have a direct financial interest in another firm; have an immediate family financial interest in another firm; or are a director or officer of another firm. If you have or contemplate having any interest that might conflict or appear to conflict with the interests of WID, report the interest to the WID Controller or WID's Legal Counsel. And remember the following rules:

- o You may not make personal profit from your WID position
- o You must notify WID's Legal Counsel of all benefits you obtain from third parties because of your position
 - o You must pay over to WID all such benefits that are possible to transfer. Benefits subject to notification include, for example, interest-free or low-interest loans.

- o Co-employment

This term refers to behavior giving the appearance that a WID employee is representing the interests of both WID and a subcontractor performing work for WID. Maintaining an independent and impartial view of subcontractor performance is extremely difficult if you have "personal concerns" which do not relate directly to subcontract performance. Do not act as a counselor or advisor to subcontractor employees; this will impair independent decision making and place you in a compromising position.

- o Personal services

Contact with subcontractor employees which gives the impression of personal involvement must be avoided. For example, you should not supervise or direct the work of subcontractor employees. The subcontract defines what is to be done. You can provide technical direction, but it normally should be directed to the subcontractor's managers or owners. If subcontractor employees ask for guidance, direct them to their supervisor.

- o Untimely marketing

Subcontractors are not to market their firm's goods or services while they are direct charging under a subcontract. Time spent marketing is not an allowable direct cost. Therefore, if you believe subcontractor personnel are inappropriately marketing, notify Procurement.

- o Business meals policy

WID employees may not accept a business or social meal from a supplier. If a business meal is being provided to permit work to continue uninterrupted and the meal is not the primary purpose of the meeting, it may be accepted.

- o Gifts policy

Do not accept gifts or gratuities from suppliers, with the exception of advertising novelties of little or no commercial value. Generally, a \$5.00 value or less is applied to define little or no commercial value.

- o Entertainment policy

Do not accept social entertainment activities offered or sponsored by suppliers. Accordingly, accepting invitations and tickets to roasts, golf outings, sporting events, cocktail parties, holiday parties, concerts, cruises, vacations, etc., is prohibited. So is usage of summer or winter homes, lodges, or other accommodations provided by a supplier.

- o Supplier-sponsored off-site events policy

Do not attend supplier-sponsored offsite events, such as new product exhibits, trade fairs, symposia, seminars, etc., unless prior approval has been obtained from your manager. If approved, be certain that your participation does not provide you any form of personal benefit.

- o Reimbursement policy

Do not accept reimbursement from suppliers for travel and hotel expenses; for speaker's fees or honoraria for addresses or papers given before supplier audiences; or for consulting services or advice that you render. Likewise, do not request or accept monetary loans or personal services from suppliers and do not enter contests sponsored by suppliers.

- o Kickbacks

Federal laws prohibit the offering, soliciting or accepting of any kickback, as well as the inclusion of any amount of a kickback in a contract. A kickback is defined as money, fee, commission, credit, gift, gratuity, item of value, or compensation of any kind provided for the purpose of improperly obtaining or rewarding favorable treatment in connection with a government contract. Report suspected kickbacks to your manager and to WID's Legal Counsel.

- o Financial reporting

You must maintain WID records in a manner that provides for an accurate and auditable record of all financial transactions. Never make false or deceptive entries; all entries must contain an appropriate description of the underlying transaction. All WID funds must be retained in corporate bank accounts. Never establish an undisclosed or unrecorded fund or asset for any purpose. All reports, bills, vouchers, invoices, payroll and service records and other essential data must be prepared with precision and honesty.

- o Illegal payments

State, federal, and foreign laws prohibit the payment of bribes, kickbacks or other illegal payments by or on behalf of WID. WID, through its policies and practices, is committed to comply fully with these laws.

- o Antitrust

The antitrust laws are designed to ensure competition and preserve the free enterprise system. The following actions constitute violations of antitrust laws and must not be engaged in under any circumstances:

- o An agreement with one or more competitors to boycott a supplier or customer
- o Any form of bid rigging

Because antitrust laws are complex, direct questions on the interpretation of antitrust laws to WID's Legal Counsel.

- o Timesheet reporting

Employees must record time truthfully and accurately based on work actually performed.

- o Miscellaneous policy

In addition to the above specified topics, a number of other miscellaneous situations may be considered questionable or totally unacceptable. Activities not covered in this module should be referred to your manager prior to participation. Ask before you act.

H. MODULE CONCLUSION

This module has given you an overview of your purchasing and accounting responsibilities. Additional reading in these areas is suggested. You and your employees who participate in the requisitioning process should read WP 15-009, Planning for and Preparation of Requisitions for Materials and Services and WP 13-009, Procurement Control Procedure. Why? Because these procedures contain detailed information required by anyone who completes or approves requisitions.

In the accounting area, it is suggested that you read WP 15-005, Employee Travel Expense Reporting Procedure, WP 15-040, Initiating Change Requests, and 15-046, Accruals. After you complete this additional reading and pass the MAS-116 examination, you will have a good grasp of your basic purchasing and accounting responsibilities.

I. MODULE REFERENCES

Planning for and Preparation of Requisitions for Materials and Services, WP 15-009, WID, 1992

Acquisition Regulations Handbook: Source Evaluation Board, DOE/MA-0154, DOE, 1986

Supplier Relationships, M91aug037.01, Westinghouse Savannah River Company (WSRC), 1991

Code of Business Ethics & Conduct, WEC, 1987

Subcontract Technical Representative (STR) Training Manual, Volumes One & Two, WSRC, 1990

Procurement Users Guide, WHC-IP-0258, Westinghouse Hanford Company, 1989

Company Purchases for Employees, Corporate Directive 6513, WEC, 1991

Relations With Suppliers, Corporate Directive 6514, WEC, 1991

Legal and Ethical Conduct, Corporate Directive 6502, WEC, 1990

Business Meetings, WP 15-032, WID, 1989

Administration of Cash Fund (Petty Cash), WP 15-012, WID, 1990

Conflict of Interests, Corporate Directive 6507, WEC, 1990

WVNS Cost Estimating Manual, WV DP-033, Rev. 1

Administrative Instructions for Contracts Issued Under Prime Contract DE-AC04-86AL31950, WP Form 7180, WID, 1990

Employee Travel Expense Reporting Procedure, WP 15-005, WID, 1990

Procurement Control Procedure, WP 13-009, WID, 1988

Quality Assurance Records Management Policy, WP 13-6, WID, 1991

Management of Hazardous Materials, WP 02-507, WID, 1991

Initiating Change Requests, WP 15-040, WID, 1990

Accruals, WP 15-046, WID, 1989

J. PRACTICE TEST

1. A manager was invited to attend a party sponsored by a supplier. The manager declined the invitation. Was this a GOOD practice? Why?
 - a. YES - only Procurement personnel such as buyers are permitted to attend supplier-sponsored events such as parties
 - b. YES - WID personnel should not accept invitations to supplier-sponsored social or entertainment activities
 - c. NO - managers are expected to attend such activities to support WID's community relations efforts
 - d. NO - the manager should have accepted the invitation; attending such events is one of the best ways for WID to build good relationships with suppliers

(G.2)
2. A supervisor submitted employee timesheets to General Accounting by noon on the fifth workday of each month. Was this a GOOD practice? Why?
 - a. YES - this will ensure that information on the timesheets is properly reflected on labor cost reports
 - b. YES - this will ensure that employees properly receive overtime pay earned
 - c. NO - employee timesheets must be received in General Accounting by noon on the first workday of each month
 - d. NO - employee timesheets need not be submitted unless employees missed work due to sickness or vacation during the pay period

(F.3)
3. A manager required that a complex service be procured. The manager was aware of a supplier company who had successfully performed similar services in the past. Because proper performance of the service was essential to the success of the project, the manager wrote a SOW which conformed to the capabilities of the supplier company. Was this a GOOD practice? Why?
 - a. YES - this is the proper way to ensure that the most qualified supplier company will be awarded the subcontract
 - b. YES - the manager was using recommended practices for writing SOWs
 - c. NO - the manager should have directly contacted other suppliers to determine if they would be interested in submitting proposals
 - d. NO - SOWs should not be tailored to a single supplier because this distorts the proposal process

(E.3)

4. As work progressed under a subcontract, a manager realized that the subcontract did not require the performance of an essential task. The manager verbally directed the subcontractor to perform the task. Was this a GOOD practice? Why?

- a. YES - this is the recommended way of ensuring that all essential tasks are performed by subcontractors
- b. YES - verbal directions are preferable because they are more difficult for subcontractors to dispute
- c. NO - verbal directions put WID, the DOE, and subcontractors at risk
- d. NO - the manager should have told the subcontractor that payment would be withheld until the task was performed

(D.3)

5. A manager required an item which had to be procured as quickly as possible. Through her own efforts, the manager located a firm which produced the required item. To ensure that the supplier's items met required specifications, the manager acquired some samples of the item from the supplier. After verifying that the sample items were exactly what was required, the manager initiated a sole-source procurement to acquire the items from the supplier. Was this a GOOD practice? Why?

- a. YES - the manager was being an effective team player by waiting until the latter stages of the pre-solicitation phase before involving Procurement personnel
- b. YES - the manager was properly identifying a suitable supplier for the required item
- c. NO - the manager should have acquired samples from at least two suppliers to encourage competition
- d. NO - the manager was subverting the procurement process by improperly contacting suppliers

(B.3)

6. When evaluating supplier proposals, a manager avoided comparing supplier proposals against one another. Instead, the manager used the evaluation criteria specified in the RFP as the basis of evaluation. Was this a GOOD practice? Why?

- a. YES - the manager was following good practices for evaluating supplier proposals
- b. YES - managers should not compare supplier proposals against one another unless they plan to share information contained in a supplier's proposal with another supplier
- c. NO - managers do not get involved in evaluating supplier proposals
- d. NO - comparing supplier proposals against one another is the recommended way to select the best proposal

(C.3)

7. A manager was faced with an emergency procurement. The manager gave a general overview of what was required in the SOW accompanying his PR. Was this a GOOD practice? Why?

- YES - SOWs which provide a general, non-specific description of what is needed are preferred by buyers and suppliers
- YES - SOWs that give more than a general overview of what is required from suppliers unnecessarily constrain buyers
- NO - the manager was wasting time by preparing a SOW; SOWs are not required for procurements with tight delivery dates
- NO - SOWs that do not clearly and completely describe what is needed cause problems later in the procurement process

(B.3)

8. When preparing PRs, a manager avoided using trade, copyrighted, and proprietary names unless she included the phrase "or approved equal." Was this a GOOD practice? Why?

- YES - this will allow the manager to avoid the preparation of a cost estimate
- YES - this allows wider competition among suppliers
- NO - using trade, copyrighted, and proprietary names is preferred because the DOE recommends the use of well-established brand-name goods
- NO - specified brand names should never be used in PRs to avoid copyright violations

(B.3)

9. A manager noticed that subcontractor employees were not performing efficiently. Upon investigation, the manager determined that the subcontractor employees were having problems with their employer. To improve the situation, the manager gave the subcontractor employees advice and guidance. Was this a GOOD practice? Why?

- YES - the manager was following recommended practices for interacting with subcontractor employees
- YES - managers are responsible for providing advice and guidance to subcontractor employees (unless subcontractor supervisory personnel are present)
- NO - this type of interaction with subcontractor employees will place the manager in a compromising position
- NO - the manager should have directed the subcontractor employees to suspend work until they successfully resolved the problems with their employer

(G.2)

10. A manager invited DOE employees to attend a business meeting he was conducting. Since the manager had issued the invitation, he felt it was a good practice to pay for the DOE employees' lunches out of his budget. Was this a GOOD practice? Why?

- a. YES - the rule of thumb to follow where DOE employees are concerned is, "you invite, you pay"
- b. YES - the manager was properly contributing to a positive working relationship between WID and the DOE
- c. NO - the manager was charging the lunches to the wrong budget; General Accounting maintains a special budget to be used in paying for DOE employees' meals
- d. NO - the manager should have collected money from the DOE employees to cover the cost of their lunches

(F.3)

ANSWERS AND FEEDBACK FOR PRACTICE TEST

1. b. YES - WID personnel should not accept invitations to supplier-sponsored social or entertainment activities
2. c. NO - employee timesheets must be received in General Accounting by noon on the first workday of each month
3. d. NO - SOWs should not be tailored to a single supplier because this distorts the proposal process
4. c. NO - verbal directions put WID, the DOE, and subcontractors at risk
5. d. NO - the manager was subverting the procurement process by improperly contacting suppliers
6. a. YES - the manager was following good practices for evaluating supplier proposals
7. d. NO - SOWs that do not clearly and completely describe what is needed cause problems later in the procurement process
8. b. YES - this allows wider competition among suppliers
9. c. NO - this type of interaction with subcontractor employees will place the manager in a compromising position
10. d. NO - the manager should have collected money from the DOE employees to cover the cost of their lunches

If you scored 80 percent or higher on the practice test, you are ready to take the module examination; please proceed to Human Resources Development and Total Quality.

If you scored less than 80 percent on the practice test, please re-read the module and take the practice test again. If you still have questions, contact Human Resources Development and Total Quality.